



**Remarks of
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**National Maritime Day Luncheon
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It is a genuine honor to be here today representing Secretary Mineta, who sends his regards to all of you.

It is also a special privilege to be able to address the Propeller Club of Washington on National Maritime Day. It is a day that provides us with an opportunity to celebrate America's maritime heritage—and a day to pause and remember the service and sacrifice of the United States Merchant Marine, both in peace and war. During World War II, more than 6,000 merchant mariners gave their lives in service to our country. In 1990, mariners came out of retirement in significant numbers to provide sealift for Operation Desert Storm. And today, merchant mariners are again responding to the call of duty by supporting Operation Iraqi Freedom, where the commercial maritime industry is not only providing intermodal lift, but every U.S. Navy Military Sealift Command and Ready Reserve Force vessel is crewed by civilian mariners.

As we honor the past on this National Maritime Day, however, we must also look to the future. It is the future of our maritime transportation system, and how that system fits into a much more integrated approach to transportation policymaking, that I want to focus on today.

Value of the MTS

The United States *is* a maritime nation. But for many, the maritime industry and the Marine Transportation System that supports this industry go largely unnoticed. By contrast, other modes of transportation – like trucking, railroads and aviation – receive significant public attention. Most Americans don't see the thousand-foot vessels with cargo worth hundreds of millions of dollars that approach our shores every day. They

also don't see the 4,000 containers that are routinely unloaded from a ship in less than 36 hours, or how these containers move through ports and ultimately connect to highways and rail. They rarely even see domestic shipping and our inland waterway system – responsible for moving nearly 2 ½ billion tons of cargo every year.

Yet this “invisible network” is vital to our Nation's economy and essential to our national defense. It is more important today than ever before. Twenty years ago, sealift – at least in the minds of most defense planners – meant only a vessel and its crew. Today, sealift means the entire intermodal commercial capability that has been firmly integrated into defense planning based on a reliance on the Maritime Security Program and the Voluntary Intermodal Sealift Agreement.

Twenty years ago, it would have been difficult to imagine the way the global economy would work in 2004. Back then, manufacturers and retailers had warehouses full of inventory. Today, “just-in-time” assembly and delivery have replaced costly storage space – making our transportation system an even more critical link in the commercial chain. Back then, efficiency was what you wanted in order to make a little more profit than your competitor. Today, efficiency is a prerequisite to survival.

Today's economy is also global to a far greater extent than ever before. Foreign trade accounts for nearly 27 percent of the U.S. economy. Today, therefore, the quality of our transportation system is critical to our international competitiveness. Manufacturing products at the lowest possible price matters little if the differential is eaten up by congestion on our highways, or at our ports, or at the intermodal connections where they come together.

U.S. foreign trade and freight volumes at our ports are expected to increase by 50 percent by 2020, and some estimates predict even higher growth than that. Yet America's port and intermodal freight system is increasingly operating at the limits of its capacity right now. Key ports around the globe are adding significantly to their own capacity, much of it aimed at funneling exports directly to the American market. In 2009, the Port of Singapore alone intends to have more container capacity than the entire port system of the United States has today.

Challenges of the Current System

As if these challenges were not enough, our MTS decision-making until now has been carried out through an inefficient patchwork of disparate laws, policies, programs, and agencies. In the Federal government alone, seventeen agencies in six departments have responsibilities relating to the MTS. We have to improve federal coordination of our system if we are to compete in this 21st century global economy.

We also have to accommodate a host of new security requirements in our post- 9/11 world. Our ports are all too often being pulled in two directions at the same time, being asked to add capacity to keep up with future demand while also ensuring that they have

tough new security measures in place to protect our homeland. These measures are clearly necessary, but they have also diverted available funds from infrastructure investment just when we need it most -- to address the “capacity crunch” that we know is not far away.

Security requirements can and must be addressed in ways that don’t merely maintain the efficiency and productivity of the Maritime Transportation System, but that enhance it. Our job at the Department of Transportation is to ensure that that “mobility imperative” is not lost as we work to make the system more secure. It is also our responsibility to help ensure that we make the investments in port infrastructure that will be needed for our economy to compete in global markets. We simply must do both—security and infrastructure—in a way that is mutually beneficial and that allows America’s entrepreneurial spirit to thrive rather than be choked by congestion.

Maritime as a Piece of an Intermodal Puzzle

Secretary Mineta has long emphasized the importance of the maritime sector to our national intermodal transportation system. He was, after all, a primary author of the *Intermodal Surface Transportation Efficiency Act* – or ISTEA – in the early ‘90s. He also has recognized a need to strengthen DOT’s core capabilities in this area.

Under his leadership, the Department began work in late October last year on a maritime policy review and the creation of a set of policy initiatives that would be integrated with, and complementary to, the reforms and initiatives that the Department has put forward in the other modes of transportation.

At the beginning of this Administration we embarked on an effort to develop Administration proposals to reauthorize our aviation and surface transportation programs. Despite the time and effort that we had to put into addressing security needs after 9/11 – and standing up the TSA was no small task – we have made substantial progress in developing federal transportation policies that foster state and local initiative, increase flexibility, improve efficiency, and promote the adoption of new technologies throughout our transportation system.

We developed an aviation reauthorization package and proposed it to Congress. Congress concluded work on that bill – called Vision 100 – late last year. We also developed a wide-ranging surface reauthorization package called the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – or SAFETEA. We hope we can reach agreement with Congress on SAFETEA soon -- during the next few weeks. That proposal included a number of provisions of interest to all of you, including dedicated funds for the critical “last mile” connections between highways and ports and new mechanisms to encourage more robust private sector financing for major highway and intermodal projects. You should keep a close eye on the progress of that legislation in the weeks ahead. There’s a lot in it for you.

The key question that remains is this: to what extent are we going to put similar federal policies in place that benefit our maritime sector? We have to complete this last piece of our transportation puzzle so that our system can function in an integrated way in the years ahead. That, of course, is why the Department of Transportation was created some thirty-seven years ago. With this goal in mind, earlier this year Secretary Mineta announced that DOT, led by Captain Bill Schubert and his superb MARAD team, would conduct a wide-ranging review of our Nation's maritime policies. The goal, he said, would be to develop a comprehensive Marine Transportation System initiative—to be called SEA-21.

This policy review, and the SEA-21 initiative that is now in the final stages of development, reflect the convergence of five significant factors:

- ◆ First, a clear recognition of the importance of the Marine Transportation System to our Nation's intermodal transportation system, national defense, foreign trade, and our economy;
- ◆ Second, the present and projected growth of foreign trade and freight moving through our ports and across the entire intermodal system;
- ◆ Third, the need to strengthen the ports, intermodal connections, shipping, and shipbuilding that serve as the heart of our transportation system;
- ◆ Fourth, the impact of the September 11th terrorist attacks on the MTS and maritime industry, and on the roles and missions of DOT and MARAD; and
- ◆ Fifth, numerous reports and studies conducted by respected public and private sector entities highlighting the current conditions and future needs of the MTS and the maritime industry.

I want to emphasize that last point most of all, because it has everything to do with where we are today. Those reports reflect a tremendous contribution made by many of you here in this room. They serve as the essential foundation on which we are building our SEA-21 program.

Over the last five years, numerous entities have tabled their ideas on what a SEA-21 package should look like. These include the Marine Transportation System National Advisory Council, or MTSNAC; the Interagency Committee on the Marine Transportation System, or ICMTS; the General Accounting Office; the National Academies' Marine Board; and, just last month, the U.S. Commission on Ocean Policy. To a remarkable degree, these diverse organizations have all agreed on the importance and urgency of addressing MTS needs and even on a number of specific recommendations regarding how to provide a more robust and efficient marine component of our national transportation system.

The SEA-21 initiative we envision will complement the efforts I have talked about in the other modes, especially their emphasis on improving intermodal connections; on

facilitating increased investment by leveraging every federal, local and private sector dollar invested in the system; and on providing the capacity and flexibility we need to move much higher volumes of both passengers and freight.

As Secretary Mineta noted earlier this year, our SEA-21 proposal will emphasize a new measure of leadership and coordination within the Department of Transportation, and across the federal government. It will focus on leveraging funds from federal, state and local governments, as well as the private sector, to address the capital needs of the Marine Transportation System. We will also carefully examine the tax burdens on our maritime sector with the goal of improving our fleets' and crews' ability to compete internationally.

Any effort designed to improve our MTS will undoubtedly take some time. For this reason, establishing a solid foundation from which to address MTS needs, and providing a solid statutory and administrative framework will be essential prerequisites to success. The long-term efficacy of this endeavor will be determined largely by the programmatic structure upon which it is based, and by the degree to which we are able to elevate government's commitment to the maritime sector.

I hope I can be forgiven a brief personal comment. As your President, Chris Johnsen, indicated in his very generous introduction, I have devoted a lot of my career to the Department of Transportation. I can tell you with some authority, therefore, that there has not been a more focused and comprehensive effort to re-examine the federal government's maritime programs in a very long time. Please bear with us as we complete the vetting process. We look forward to working with you to bring about some long overdue changes.

As I said at the outset, National Maritime Day provides an opportunity for us to celebrate our maritime heritage and remember those who made it possible. It is our responsibility to build on that heritage. Our success in the endeavor will be the highest measure of our respect for those we honor today.

Thank you for allowing me to share these thoughts with you today.

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